

Universal Service Program

On May 7, 1997, the Federal Communications Commission (FCC) adopted a Universal Service Order implementing the Telecommunications Act of 1996. The Order ensures that all eligible schools and libraries have affordable access to modern telecommunications and information services. Up to \$2.25 billion annually is available to provide eligible schools and libraries with discounts, often referred to as the "E-rate," for authorized services, beginning January 1, 1998.

Overview

Level of Discounts

Discounts range from 20 percent to 90 percent, depending on economic need and location (urban or rural). The level of discount is based upon the percentage of students eligible for participation in the federal free and reduced price school lunch program. Libraries will use the school lunch eligibility percentage and urban/rural status for their local school district.

Services Eligible for Discount

Discounts can be applied to all commercially available telecommunications services, Internet access, and internal connections. Discounts are available in all states, as long as the state adopts intrastate discount levels at least equal to the federal discounts.

Application Process

Discounts will be applied as of January 1, 1998, for qualified pre-existing contracts. For contracts covering new services with approved discounts, the discounts will be applied as of the date the contract is signed. A technology plan must be developed, and approved by an independent agency, such as a state education or library agency, or the Schools and Libraries Corporation (SLC). Eligible institutions must submit a self-certification of eligibility (attesting that all criteria have been met) to the SLC along with a description of the services requested.

The percentage discount mechanism for administering this program means that this program is not a grant program. Schools and libraries are required to pay only the "non-discounted" portion of their costs for telecommunications services, Internet access and internal connections. The discounted portions of the services are directly applied to reduce the bills to be paid by schools and libraries and these amounts will be reimbursed directly to the service providers from the fund administrator. Requiring schools and libraries to pay a share of the costs from their own funds is intended to insure cost-effective purchases.

Fund Administration

SLC, a newly formed independent not-for-profit entity established by FCC rules, has responsibility for administering the schools and libraries program. The Universal Service Administrative Company (USAC), a subsidiary of the National Exchange Carrier Association (NECA), has been named by the FCC as the interim, overall administrator of Universal Service Fund collection and distribution.

Disbursement of Funds

Once an application has been accepted and approved, the schools and libraries will apply the applicable discount to their telecommunications services, Internet access and internal connections, and pay the remaining portion of the costs to the service providers. The service providers will seek reimbursement from the SLC for the cost of the discounts.

Schools and Libraries Eligibility

Schools must meet the statutory definition of an elementary or secondary school found in the Elementary and Secondary School Act of 1995 (20 U.S.C. Section 8801 (14) and 8801 (25)). They must not be operating a for-profit business, and may not have an endowment exceeding \$50 million.

Examples of Eligible Schools

- Public schools
- Non-public schools
 Private schools

 Parochial schools
- Area vocational technical schools
- Charter schools
- Intermediate Units

Examples of Ineligible Schools

- Home school programs
- Institutions of higher education
- Private vocational skills schools (Proprietary schools)

Libraries or library consortia eligible for assistance from a state library administrative agency under the Library Service and Technology Act and not operating a for-profit business are eligible for discounted services.

Examples of Eligible Libraries

- Public libraries
- Private libraries
- Research libraries that: (1) make publicly available library services and material suitable for scholarly research and not otherwise available to the public and (2) are not an integral part of an institution of higher education

Examples of Ineligible Libraries

• Academic libraries (unless their budget is completely independent)

Consortia

A school or library can apply for a discount on a specific service either as an individual entity or as part of a consortium.

Entities within a community (e.g., schools, school districts, libraries, library systems, government, and health care providers) could identify their common communication needs and plan for a community infrastructure. A consortium could negotiate with service providers from a position of strength due to the aggregated demand.

Consortia may include both eligible and ineligible entities. Ineligible entities are those members of a consortium that are not entitled to a discount. Entities not eligible for universal service discounts, however, may benefit from lower *pre-discount* prices from such aggregation. Mixing eligibility will place significant record-keeping responsibility on consortia. They will be required to demonstrate that only eligible entities receive the discounts.

Consortia are not required but are encouraged. Consortia advantages are:

- Aggregating demand attracts competitors and allows negotiating lower prices.
- Consolidating services achieves improved efficiency.
- Sharing both network infrastructure and knowledge results in lower costs for all.
- Sharing facilities reduces costs.
- Sharing technical staff reduces costs.

Calculating the Discount

Discounts for eligible schools and libraries are set as a percentage discount from the pre-discount price. *Pre-Discount price* means the price the service provider agrees to accept as total payment for its telecommunications or information services. This price is the sum of the amount the service provider expects to receive as payment from the eligible school or library and the amount it expects to receive as reimbursement from the universal service support mechanisms for the discounts provided.

Schools

The discount is based on the number of students eligible for participation in the national school lunch program and the school's classification as rural or urban. The *national school lunch program* is a program administered by the U.S. Department of Agriculture and state agencies that provides free or reduced price lunches to economically disadvantaged children.

For shared services, school districts applying for discounts on behalf of their individual schools may calculate the district-wide average percentage of eligible students. For example, a school district would calculate the appropriate discount rate for each individual school, then multiply each school's discount rate by the number of students in the school. Add up the total for all schools and divide by the total number of students in all schools that are receiving an appropriate

share of shared services. Last, round the result to the nearest percentage point. For site-specific services, an individual school would use its own discount level.

Libraries

The discount for libraries is based on the percentage of student enrollment that is eligible for the national school lunch program in the public school district in which the library is located.

Library systems may apply for discounted services on behalf of individual branches of the library system by calculating a system-wide percentage which would be computed by first calculating each individual library's discount, then summing the discounts and dividing by the number of library branches. The library will use the school lunch eligibility discount percentage for the school district in which the library is located. If a library system is located in more than one school district, then the library will use the average of the discount percentages for each school district in which the library system has a branch. Alternatively, an individual branch of the library system could apply using its own discount level.

The level of discount will be based on a school's or library's percentage of students eligible for the national school lunch program and its location in an urban or rural area.

SCHOOLS AND LIBRARIES		DISCOUNT	
DISCOUNT MATRIX		LEVEL	
HOW DISADVANTAGED?			
% of students eligible for	(estimated % of	Urban	Rural
national school lunch program	US schools in	Discount	Discount
	category)	Percentage	Percentage
< 1	3	20	25
1-19	31	40	50
20-34	19	50	60
35-49	15	60	70
50-74	16	80	80
75-100	16	90	90

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Classifying Urban and Rural Locations

These categories are based on definitions adopted by the U.S. Department of Health and Human Services Office of Rural Health Policy (ORHP/HHS). Counties are first classified as either urban or rural depending on the Metropolitan Statistical Area (MSA) in which they are located.

Urban Schools and libraries located in metropolitan counties, as measured by the U.S. Office of Management and Budget's Metropolitan Statistical Area (MSA) method, shall be designated as urban, except for those schools and libraries located within metropolitan counties identified by census block or tract in the "Goldsmith Modification."

Rural Schools and libraries located in non-metropolitan counties, as designated by the MSA method, shall be considered rural. However, portions of urban metropolitan counties may be classified as rural if their census block or tract number is identified by the "Goldsmith Modification" table. The "Goldsmith Modification" identifies rural pockets within larger urban metropolitan counties.

The MSA table along with the "Goldsmith Modification" will be posted on the SLC Website (www.slcfund.org) and the NECA Website (www.neca.org). A paper copy of the MSA table and "Goldsmith Modification" is also available, upon request, from the Schools and Libraries Corporation.

Sample of the MSA Table:

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STATE	METROPOLITAN	COMPONENT	COMPONENT	GOLDSMITH		
	AREA	COUNTIES	CITIES/TOWNS	MODIFICATION		
				Census Tract/BNA		
New Mexico	Albuquerque	Bernalillo				
		County				
New Mexico	Albuquerque	Sandovall		0101, 0102,		
		County		0103, 0104,		
				0105.01		
New Mexico	Albuquerque	Valencia				
		County				
New Mexico	Las Cruces	Dona Ana		0014, 0019		
		County				
New Mexico	Santa Fe	Los Alamos				
		County				
New Mexico	Santa Fe	Santa Fe		0101, 0102,		
		County		0130.01		

If your county is indicated on the MSA table, you are considered urban, unless your specific street address falls within one of the listed "Goldsmith Modification" tract numbers.

An example of how the MSA table can be used:

If a school or library is located in a New Mexico county that is not identified on the MSA table, it would be considered "rural." Additionally, if the entity is located in the Santa Fe

Metropolitan Area, Santa Fe County, it may still be urban or rural. If it is determined that the address of the school or library is located in Census Tract 0102, for example, it would be considered "rural." If the address is not located in a "Goldsmith Modification" tract, it is "urban."

To determine whether your street address is within one of the listed tract numbers you may contact the Federal Financial Institutions Examination Council (FFIEC) Website (www.ffiec.gov).

- First, select Information Services.
- Next, select FFIEC Geocoding System.
- Next, input the school or library's street address and zip code.
- The BNA/Tract number for that location will be provided.
- Compare this number to your county's "Goldsmith Modification" numbers to determine if a tract number is listed which designates your location as rural.

You may also contact the U.S. Census Bureau within your state for help in determining rural status. Census Bureau Regional Information Center phone numbers are included with the MSA tables.

Eligible Services

Eligible schools and libraries may purchase all commercially available telecommunications services at discounted prices. Internet access, and installation and maintenance of internal connections are also eligible for discounted rates. Schools and libraries will have maximum flexibility to purchase the services that they believe will meet their needs most effectively and efficiently. Schools and libraries may choose from a wide array of telecommunications services and technologies, including, for example, basic telephone service, a T-1 line, and wireless telecommunications services, and these services may be purchased from various service providers. Please note that not all of the eligible services may be available in all areas throughout the country. (Note - The FCC has authority to revise service eligibility determinations.)

Examples of Eligible Services

- Basic phone service
- Leased data circuits
- T-1, 56 kbs, ISDN lines
- Dial-up Internet access
- Direct Internet connections
- E-mail
- Wireless connections

Examples of Ineligible Services

- Content
- Training
- Software (see, however, Eligible Internal Connections)

Examples of Eligible Internal Connections

- Telecommunications wiring
- Routers
- Switches
- Hubs
- Network servers
- Certain networking software
- Wireless LANs
- Installation & basic maintenance
- Private Branch Exchange (PBX)

Examples of Ineligible Internal Connections

- Personal computers
- FAX machines
- Voice mail
- Modems
- Electrical wiring
- Asbestos removal
- Cable modems
- Cameras
- Firewalls

SLC has adopted the following Policy Statement on Certification that Services are Being Used for Educational Purposes:

The primary purpose of the services for which support is sought must be the delivery of services into classrooms or other places of instruction at schools and libraries that meet the statutory definition of an eligible institution. Support for the administrative functions of library or education programs is permitted so long as the services are part of the network of shared services for learning. Universal service support will be limited to services delivered to the onsite educational facility or facilities. Services at a personal residence or at locations that do not host places of instruction or are not accessible to library patrons, with the exception of a centralized district office or similar facility, are not eligible for support.

Rules of Priority

The fund administrator, SLC, will track the amount of commitments for disbursing discounts to determine how much of the \$2.25 billion annual fund is available, and how much has been committed. When expenditures in a funding year reach the level where only \$250 million remains before the cap will be reached, monies will be committed in accordance with the following rules of priority.

• The Schools and Libraries Corporation will post a message on the SLC website, notify the Commission, and take reasonable steps to notify the educational and library communities that commitments for the remaining \$250 million of support will be made only to the most economically disadvantaged schools and libraries. The most economically disadvantaged schools and libraries (those in the two most disadvantaged categories as measured by the school lunch eligibility percentage) that have not received discounts (other than basic telephone service) from the universal service support mechanism in the previous or current funding years will, for a 30-day period or the remainder of the funding year, whichever is shorter, have exclusive rights to secure commitments for universal service support. Other

economically disadvantaged schools and libraries (those in the two most disadvantaged categories) that have received discounts from the universal service support mechanism in the previous or current funding years will have the next highest priority, if additional funds are available at the end of the 30-day period.

Pre-existing Contracts

The FCC established a competitive bidding system that supplements local and state bidding requirements. The FCC requires the posting of detailed requests for services for 28 days on a website, thus making the information available to potential service providers.

A key date for determining the treatment of pre-existing contracts is November 8, 1996 (the date that the Federal-State Joint Board issued its recommendations for the schools and libraries program).

Multi-year contracts that have been signed prior to November 8, 1996, do not require the 28 day website posting, regardless of the length of the contract. Annual requests for renewal of the discounts may be submitted without renegotiating contract terms or website posting of the service request. Contracts signed between November 8, 1996, and the date that the website is open for receiving applications, also do not require web postings for services provided on or before December 31, 1998. Once the SLC website becomes operational all new requests for services are subject to the 28 day website posting as well as to applicable local and state competitive bidding requirements.

The rules for pre-existing contracts are under reconsideration by the FCC.

What schools and libraries must do before applying for discounted services

1. A technology plan must be developed to ensure that the school or library has the ability to use the services once they are purchased. Schools and libraries must prepare technology plans covering the current, next, and future years. Technology plans should specify how schools and libraries plan to integrate the use of these technologies into their curricula and programs.

The FCC order indicates that a technology assessment must be conducted which includes, to the extent applicable to the services requested, the following:

- Computer equipment currently available or budgeted for the current, next, or future years, as well as whether the computers have modems and, if so, speed of the modems.
- Internal connections currently available or budgeted for the current, next, or future years, or any specific plans relating to voluntary (donated) installations of internal connections.
- Computer software necessary to communicate with other computers over an internal network and over the public telecommunications network currently available or budgeted for the current, next, or future years.
- Experience or training received by staff in the use of the equipment to be connected to the telecommunications network and training programs currently available or budgeted for the current, next, or future years.
- Existing or budgeted maintenance contracts to maintain computers.
- The capacity of the school or library's electrical system in terms of how many computers can be operated simultaneously without creating a fire hazard.

Note: schools and libraries must also certify that they have funds budgeted and approved to meet their financial obligations to pay for the "non-discounted" portion of their requested services and to pay for the other components, set out in their technology plans, for the current funding year. The certification requirements are intended to assure that the schools and libraries will be able to use the discounts cost-effectively and to impose accountability on the part of schools and libraries.

2. The technology plans must receive independent approval, ideally by a state agency that oversees schools or libraries. The SLC also has authority to approve technology plans, which will be available in cases where no other approving authority is in place. If a school or library has a technology plan that has already been approved for another purpose, e.g., for participation in federal or state programs such as "Goals 2000" or the Technology Literacy Challenge, it will be accepted without need for further independent approval.

Schools and Libraries Application Process

(Detailed instructions for completing applications are included with the forms.)

- 1. The applicant must submit the Description of Services Requested and Certification Form (FCC Form 470). The Description of Services Requested and Certification can be entered by the applicant over the Internet to the Schools and Libraries Corporation Website (www.slcfund.org) upon commencement of its ability to receive applications, or mailed to the SLC. Please **do not** use the SLC **e-mail** address to submit forms; all electronic submissions should be made through the **SLC website**. Additional electronic submission methods are under investigation. Information on this effort, when available, will be posted on the SLC website. The *Description of Services*, when prepared on paper, may be sent through the mails to the SLC. If entered over the Internet, which is the more timely means for submitting requests, a hard copy of the *Certification* page must be printed, signed by an authorized individual, and mailed to the SLC. Applicants may check the website for the posting of their requests for services. Additionally, the SLC will undertake special efforts to inform applicants who may not have ready access to the Internet of the posting of their Request for Services. In any event, SLC will mail a notice of receipt and posting of the Request for Services on the Website, within 7-10 days (Website Posting Confirmation). Schools or libraries wishing to apply for discounts for pre-existing contracts must also submit FCC Form 470, describing the pre-existing contract. Eligible entities can submit more than one request (FCC Form 470) per funding year.
- 2. Service requests for new services must be posted on the SLC website for 28 days in order to comply with the competitive bidding requirement. (As noted above, SLC will send a *Website Posting Confirmation* to the applicant.) The school or library may also issue a Request for Proposal (RFP) whose closing date is no earlier that the 28th day of the website posting, and may receive bids either in response to the RFP or the website posting of the request for services. During that time, service providers may offer bids to schools or libraries for the requested services. The applicant is required to wait 28 days from the date of posting before a contract can be signed.
- 3. At the end of the 28 day website posting, the applicant may select a vendor(s) from the bids received either in response to the website posting or a RFP. Among the criteria to be considered are service quality, prior experience, personnel qualifications, management capability, and schedule compliance, as well as price. Once the service provider is selected, a contract should be executed, *with one possible exception*. If the school or library chooses to receive service pursuant to or under a tariff, it is not required to execute a contract. Under these circumstances, a contract may be executed, but it is not required to be executed.
- 4. After a service provider is selected and a contract is signed, the school or library will request the SLC to commit to make payments to the service providers for the costs of the discounts. The school or library does this by submitting the *Services Ordered and Certification Form* (FCC Form 471) to the SLC. Until the SLC reviews and approves the Form 471, applicants cannot assume that everything they have contracted for will be eligible for discounts. Applicants should therefore exercise caution in signing a contract and consider including

appropriate conditions and contingencies. The entity who is responsible for paying the bill should file FCC Form 471.

All schools or libraries will have an initial "window period" to submit their request for commitment (FCC Form 471), during which all applicants will be given equal priority. The window period will begin on the date that the website is open to receive applications. All properly completed applications filed during an initial 75-day window will be treated as if simultaneously received. Both completed applications and commitment requests (FCC Forms 470 and 471) must be received by the 75th day to be treated equally. Forms received after the 75th day will be treated on a first-come, first-served basis.

- 5. Discounts will be applied as of January 1, 1998 for qualified pre-existing contracts. For contracts covering new services with approved discounts, the discounts will be applied as of the date the contract is signed. The SLC will notify applicants of the approval of commitment of funds.
- 6. When the service is operational, the school or library will submit the *Receipt of Service Notification Form* (to be known upon publication as FCC Form 486) to the SLC. At this time, the applicant must certify that its technology plan is approved by an independent third party. After confirmation of the receipt of services, and of certification of the technology plan, the SLC will instruct USAC to credit the discount amount to the telecommunications carrier's Universal Service Fund contribution obligation, or to pay the discount amount to the non-telecommunications service provider.
- 7. The school or library will pay the service provider for the non-discounted portion of the services.
- 8. For <u>each year</u> of the discount program, schools and libraries must file new funding requests (FCC Forms 470 and associated Form 471) for services to be provided in the following funding year. These applications will be accepted each July 1st beginning in 1998. Funding is on a calendar year basis, beginning January 1st of each year. While schools and libraries may enter into multi-year contracts, the funded support will only be committed for services delivered in the current funding year. Schools and libraries must reapply for discounts *each* year.

It is important to realize that discounts cannot be guaranteed for subsequent years. Multiple year discount commitments will not be granted.

For more complete guidance, contact our Client Service Help Desk by toll-free telephone at 1-888-203-8100, or by e-mail (question@slcfund.org).

For additional information, visit the following Websites:

- Federal Communications Commission Homepage at http://www.fcc.gov
- LearnNet Page at http://www.fcc.gov/learnnet
- FCCsend at subscribe@info.fcc.gov

A one-way (non-interactive) listserver set up to send e-mail on the FCC 's latest updates and suggestions for preparing your health care facility to get the most out of communications technology. To subscribe to FCCsend, send an e-mail to subscribe@info.fcc.gov. In the message space, write "sub FCCsend Chris Brown" (substitute your own first and last name for Chris Brown).

- US Department of Education Technology Initiatives at http://www.ed.gov/Technology
- American Library Association at http://www.ala.org/oitp/univserv.html

Information to help libraries with the implementation of the universal service fund. Libraries may keep informed about how the Telecommunications Act affects libraries and schools by visiting the ALA's Washington Office Newsline (ALAWON) Archives at [http://www.ala.org/washoff/alawon].

• E-Rate Interactive Discussion at http://www3.pbs.org/cgi-bin/netforum/erate/a/1

On June 3, PBS hosted a live satellite event addressing universal service. This forum has been established by PBS and the live satellite event producer to provide further information about the E-rate as it becomes available and answer your many questions.

• Information Renaissance at http://info-ren.pitt.edu

The Information Renaissance seeks to provide networking technology to groups and individuals across the region, in the service of education, medicine, business and government. Sponsors an online forum for the Telecommunications Act and E-rate.

Universal Service Administrative Company (USAC) at http://www.neca.org

The website for the interim administrator of the Universal Service Fund for Schools & Libraries and Rural Health Care.

• EdLiNC Homepage at http://www.itc.org/edlinc

EdLiNC is the Education & Libraries Networks Coalition. It represents the viewpoint of schools and libraries in FCC proceedings dealing with the implementation of the Telecommunications Act of 1996 to ensure that these entities are given the affordable rates guaranteed in the act.

• NetDay Homepage at http://www.netday.org

NetDay is a grass-roots, volunteer effort to wire schools so they can network their computers and connect them to the Internet. Labor and materials come from volunteers and support from companies, unions, parents, teachers, students and school employees.

For additional information you may contact your state education agency, and ask for the state education technology coordinator.

If you receive service from an intermediate education service agency in your region, you may also phone them for information.

The U. S. Department of Education has also established six Regional Technology in Education Consortia (R*TEC) to help integrate technologies into schools. The following list will help you reach the Consortium in your area:

• Northwest Educational Technology Consortium (NETC)

Toll Free: 1-800-211-9435 (voice mail)

Phone: 503-275-0658 Fax: 503-275-0449

URL: http://www.netc.org E-mail: netc@nwrel.org

• Pacific and Southwest Regional Technology in Education Consortium (PSR*TEC)

Phone: 562-985-5806 Fax: 562-985-4528

URL: http://psrtec.clmer.csulb.edu

E-mail: clmer@csulb.edu

• North Central Regional Technology in Education Consortium (NCRTEC)

Phone: 630-571-4710 Fax: 630-218-4989

URL: http://www.ncrtec.org E-mail: ncrtec@ncrel.org

South Central Regional Technology in Education Consortium (SCR*TEC)

Toll free: 1-888-TEC-2001

Fax: 913-864-0704 URL: http://scrtec.org E-mail: info@scrtec.org

• Northeast Regional Technology in Education Consortia (NetTech)

Phone: 212-541-0972 Fax: 614-292-2066

URL: http://www.nettech.org

E-mail: debs@enc.org

• Southeast and Islands Regional Technology in Education Consortium (SEIR*TEC)

Toll free: 1-800-659-3204 Phone: 404-893-0100 Fax: 404-577-7812

URL: http://www.serve.org/seir-tec

E-mail: seirtec@serve.org

The U. S. Department of Education also supports 10 Regional Educational Laboratories, which may be able to provide you with additional information. You may use the following list to contact the laboratory in your region:

Appalachia Educational Laboratory, Inc. (AEL)

1031 Quarrier Street P.O. Box 1348

Charleston, WV 25325-1348 Phone: (800) 624-9120 Fax: (304) 347-0487 http://www.ael.org

Northeast and Islands Laboratory at Brown University (LAB) 828 Fort Street Mall, Suite 500

222 Richmond Street, Suite 300 Providence, RI 02903-4226 Phone: (401) 274-9548 Fax: (401) 421-7650 http://www.lab.brown.edu

The Mid-Atlantic Laboratory for Student Success (LSS) at

Temple University

933 Ritter Annex, 13th and Cecil B. Moore

Philadelphia, PA 19122 Phone: (215) 204-3001 Fax: (215) 204-5130

http://www.temple.edu/departments/lss

Mid-continent Regional Educational Laboratory McREL)

2550 South Parker Road, Suite 500

Aurora, CO 80014 Phone: (800) 949-6387 Fax: (303) 337-3005 http://www.mcrel.org

North Central Regional Educational Laboratory (NCREL)

1900 Spring Road, Suite 300 Oak Brook, IL 60521-1480 Phone: (630) 571-4700 Fax: (630) 571-4716 http://www.ncrel.org

Northwest Regional Educational Laboratory (NWREL)

101 SW Main Street, Suite 500

Portland, OR 97204 Phone: (800) 547-6339 Fax: (503) 275-0448 http://www.nwrel.org

Pacific Resources for Education and Learning (PREL)

Honolulu, HI 96813-4321 Phone: (808) 533-6000 Fax: (808) 533-7599 http://www.prel.hawaii.edu

Southwest Educational Development Laboratory (SEDL)

211 East Seventh Street, Second Floor

Austin, TX 78701-3281 Phone: (512) 476-6861 Fax: (512) 476-2286 http://www.sedl.org

Southeastern Regional Vision for Education (SERVE)

P.O. Box 5367

Greensboro, NC 27435 Phone: (800)755-3277 Fax: (910) 334-3268 http://www.serve.org

WestEd

730 Harrison Street

San Francisco, CA 94107-1242

Phone: (800) 645-3276 Fax: (415) 565-3012 http://www.fwl.org